Global, Digital & Resilient

How digital tools are powering U.S. small businesses' global engagement amid COVID-19

February 2021

Global Innovation Forum

Global Innovation Forum

The pandemic has demonstrated the critical role of digital tools in mitigating the economic impact of COVID-19 and maximizing small businesses' access to global markets to bolster their resilience.

During the pandemic, digitally-enabled commerce and workplaces often replaced traditional ways of doing business. Digital tools and trade allowed small businesses to continue operating, when only decades ago, a pandemic would have dramatically slowed or halted activities altogether.

From the e-commerce platforms that allow effortless cross-border sales to digital marketing strategies that enable companies to find international customers, access to digital tools has never been more critical to a small business's resilience and global success.

Before COVID-19, some businesses were already planning for a digital future. In many cases, the pandemic forced what would have been a years-long digital adoption process into an overnight necessity.

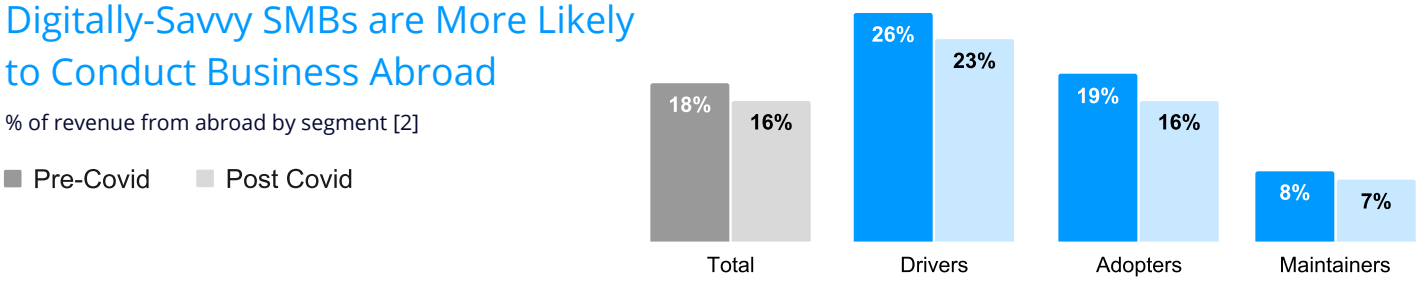
In a Spring 2020 survey, 51 percent of small businesses reported increasing online interactions with their clients, while 36 percent of personal businesses that use online tools indicated that they were conducting all their sales online in response to the crisis. [1]

Small businesses that utilized digital tools intensively and leveraged online sales, payment, delivery, social and productivity tools were less likely to experience economic hardships and were better prepared to weather financial strains.

This "**digital safety net**" has acted as a lifeline for small businesses, empowering them to continue operating, quickly respond to new opportunities globally and evolve with the new normal to a greater extent than less digitally-savvy small businesses.

Digitally-Savvy SMBs are More Likely to Conduct Business Abroad

% of revenue from abroad by segment [2]



Digital Drivers view digital tools as essential to their business
Digital Adopters see the value of digital tools but have not taken advantage
Digital Maintainers are beginners with regard to digital tools

Digital Tools: From Crisis to Recovery

- Three out of four small businesses (SMBs) increased their use of digital tools in response to the pandemic.
- Most SMBs (53 percent) found digital tools more helpful to them during COVID-19 than previously, and plan to continue to use more digital tools, even after the pandemic.
- Digital Drivers anticipated 4X better revenue for 2020 compared to the less prepared Digital Maintainers
- In response to COVID-19, 70 percent of SMBs adapted or changed their products and services to meet changing consumer demands.

Digitally Driven: U.S. Small Businesses Find a Digital Safety Net During COVID-19, Connected Commerce Council [2]

Digitally-Driven Global Resilience

Small businesses that **leverage digital tools to reach global markets** are more resilient and were able to adapt better to the COVID crisis.

In a survey of over 7,000 small- and medium-sized businesses conducted in the summer of 2020, the Connected Commerce Council in partnership with Google found that companies that actively utilized digital strategies before the pandemic were able to sustain more of their international business during the pandemic than their less digitally-ready counterparts. [2]

While all categories of small businesses surveyed reported an overall decrease in international sales, the "Digital Drivers" who used digital tools most intensively conducted a significantly higher percentage of global business before and during COVID.

International trade, enabled by the use of digital tools, can help small businesses mitigate disruptions to local business and increase their resilience.

Global markets are especially critical for women and minority-owned businesses, which benefit from an "export premium" that is higher than for other businesses. [3] Black-Owned businesses relied on global markets for an average of 45 percent more revenue than white-owned businesses in the 2020 survey. [4]

Policy Recommendations

Maximize Access to Digital Tools

Governments have an essential role to play in ensuring that digital trade policies enable the entire e-commerce ecosystem that empowers small businesses to prosper in the global marketplace. They should:

- Commit to high-standard digital trade rules and enable non-discriminatory market access for services sectors critical for e-commerce including payments, logistics, and computer and related services;
- Enact paperless procedures, automated systems, electronic data, e-payment and risk management processes to facilitate goods trade and contactless customs clearance;and
- Drive public-private partnerships to increase SMBs' access to exporting technologies and digital market finder tools;
- Fully resource trade promotion programs.

Advance Equity for Women- and Minority-Owned Small Businesses

Governments also have an opportunity to establish a stronger and more inclusive global economy by maximizing the ability of digitally-enabled trade to support women, minority and underserved communities by:

- Leveraging trade agreements to ensure commitments to gender and racial equity;
- Facilitating access to capital, digital platforms and public-private partnerships;
- Prioritizing the participation of women- and minority-owned businesses across government-led trade promotion programs, consultations and communities; and
- Securing commitments from International Organizations for diversity in conference speakers.

NOTES

[1] State of Small Business Report 2020, available at: https://about.fb.com/news/2020/05/state-of-small-business-report/
[2] Digitally Driven: U.S. Small Businesses Find a Digital Safety Net During COVID-19, available at: https://digitallydriven.connectedcouncil.org
[3] "The Strategic Case for Women and Trade," available at: https://obamawhitehouse.archives.gov/sites/default/files/image/strategic_case_for_women_and_trade.pdf and "Want To Grow Your Minority Business Enterprise? Look Abroad," available at https://archive.mbda.gov/news/blog/2018/07/want-grow-your-minority-business-enterprise-look-abroad.html
[4] GIF analysis of data supplied by the Connected Commerce Council from its SMB Resilience and COVID-19 Integrated Final Report.

Kettlebell Kings

Founded by Chad Price, Jay Perkins & Nehemiah Heard
Austin, Texas

College friends Chad Price, Jay Perkins and Nehemiah Heard created Kettlebell Kings with the mission of creating a global company that blends wellness, lifestyle and fitness. The business has been digital since its inception in 2013, using e-commerce and payments platforms to sell to customers. More recently, they have expanded the brand to include a digital arm, Living.Fit, that offers virtual certification and training programs.

Since the pandemic, Kettlebell Kings has seen demand skyrocket for kettlebells as well as its digital programs. Their digital offerings have allowed the company to extend its reach in international markets at the same time that it dealt with disruptions to its global supply chains for physical gear amid global lockdowns.

Exports make up approximately 15 percent of the company's overall sales. Europe and Australia are the company's largest overseas markets, though they have shipped Kettlebells to over 70 countries. The founders credit their strategic use of digital tools, including "every popular social media channel," **Google Analytics**, **Market Finder**, **Google Ads**, **FedEx** and **UPS** to enable Kettlebell Kings to identify, market to and reach customers globally.

> Digital tools have helped make us a global company. We have a strong following on social media internationally and we use analytics to identify what markets we should be investing in.

Caribu

Founded by Maxeme Tuchman & Alvaro Sabido
Miami, Florida

Often referred to as "Zoom for kids," Caribu is an innovative video calling app and educational platform that allows parents and grandparents to read, draw and play games with the children in their lives, from anywhere in the world.

In February, the team began to witness the first signs of the pandemic and shifting customer behavior in countries that were first hit. To quickly react, the team used **global digital marketing tools including Facebook and Google ads** to test markets in South Korea, Japan and China as schools were shutting down. "We launched in countries that we would have never expected because we were able to test them with those digital tools," shared CEO Maxeme Tuchman.

When schools started to close their doors in March, downloads of the app grew tenfold, adding more than half a million users. Caribu was uniquely suited to help families connect during the pandemic, **reaching customers in more than 200 countries and territories**.

"The only reason the app was able to grow globally was because of access to a variety of [digital] platforms," Tuchman added. "We never would have entered the markets we did" without **Android, the Google Play Store and the Apple App Store.**

Shady Rays

Founded by Chris Ratterman
Louisville, Kentucky

Entrepreneur Chris Ratterman helps his Kentucky-based sunglasses company Shady Rays stand out by offering its global customers replacements on all lost or broken eyewear.

While international customers have been able to purchase Shady Rays' sunglasses from their website for years, the recent opening of a new internal fulfillment center, coupled with strategic online advertising, has dramatically expanded the capacity of the business to ship globally. Shady Rays has seen its international sales skyrocket.

Before the pandemic, Chris noted that potential customers were sometimes hesitant to make purchases with an online-only brand. During the pandemic, consumers have become more comfortable embracing digital-first brands and e-commerce.

"Being completely digital is no longer a barrier to sales. The general shift to online has raised our credibility and it's translated to sales," he observed.

International sales make up between 5-10 percent of Shady Rays' sales with Australia and New Zealand leading the way.

Shady Rays is identifying new targets after using analytical tools, like **Google Analytics** and **Market Finder**, to test global markets and is now replicating successful **Facebook** and **Instagram** paid strategies from the United States to expand its reach in Canada and the UK.

Deering Banjo

Founded by the Deering Family
Spring Valley, California

Since 1975, the Deering Banjo Company has grown from a small operation to become the largest manufacturer of banjos in the United States, exporting their high-quality instruments across the world. The company first found success overseas after founders Greg and Janet Deering attended a music tradeshow in Germany. After only 3 years of participating in the show, exports increased to comprise 30 percent of sales.

While trade shows launched the brand's global presence, CEO Jamie Deering outlined that **digital tools have become increasingly central to reaching a global audience** and have become even more crucial amid COVID-19. Throughout the pandemic, with canceled conventions and concerts, Deering Banjo **relied nearly exclusively on digital platforms like YouTube and social media** to share tutorials, foster personal connections and showcase music livestreams to support their community of artists and banjo enthusiasts.

They continue to benefit from strong word of mouth over social media. Loyal customers regularly use platforms such as Instagram and Facebook to share unsolicited recommendations, fostering a unique level of credibility.

Digital analytics tools are also cost-effective methods to enable Deering Banjo to gain global insights into marketing to the music industry. Many of the dealers in the company's networks also have a large internet presence, which further adds to Deering Banjo's international reach.